

## Quality education, teaching work, and economic growth (Ep.5)

**Locutor Víctor Ramos** [00:00:07]

Moving toward a sustainable and inclusive Puerto Rico. A special series from En Puerto Rico and GFR Media, sponsored by the Puerto Rico Community Foundation.

**Luis A. Ferré Rangel** [00:00:20]

More than half of our children live in poverty and participate in a public education system where almost a fifth of them don't graduate from high school and only half enroll in college. Without quality and equitable education there's no social mobility and little can be done to increase our labor participation rate and achieve sustainable human development. Welcome to the fifth episode of the series Moving toward a sustainable and inclusive Puerto Rico, sponsored by the Puerto Rico Community Foundation in collaboration with GFR Media. I am Luis Alberto Ferré Rangel and today we will be discussing goals 3 and 8: Quality education, and Decent work and economic development. To discuss the topic today we have as our guest Dr. José Caraballo-Cueto, economist and professor at the University of Puerto Rico and expert on the topic. Welcome, José.

**Dr. José Caraballo Cueto** [00:01:15] Thank you.

**Luis A. Ferré Rangel** [00:01:15]

José, let's start with a very fundamental question, what is social mobility?

**Dr. José Caraballo Cueto** [00:01:21]

Generally speaking, social mobility, the most accepted version is that it is material advancement or progress that... is measured across generations. That is, if this generation is better off than the previous generation, it is said that there is social mobility. In the case of Puerto Rico, there was clear social mobility during the industrialization process. For example, my parents' generation always referred to the fact that their parents' generation, my grandparents', barely finished elementary school. Some even walked barefoot. There were children who died of malnutrition. My parents' generation didn't experience that. What would be expected, or was expected, was that my generation and those who came after would be better off than the previous ones. So, there was progress in social mobility. But then it slowed down a little and perhaps we can also see the case of a reduction in social mobility.

**Luis A. Ferré Rangel** [00:02:27]

Certainly, part of our program today will revolve around that focus. But let's also continue talking a little about the link that exists between accessible and equitable education and social mobility. What is that link, José?

**Dr. José Caraballo Cueto** [00:02:42]

One would hope that through education, then, people can achieve greater social mobility. And in that example that I mentioned about my parents and my grandparents, that happened in large areas of Puerto Rico, where there was a generation that began to go en masse to universities, to obtain college degrees and that provided them access to a middle class that was previously inaccessible to many people. One would hope that this would be maintained throughout history, at least in Puerto Rico's history. However, there was a kind of stagnation where people continued to attain academic achievements, in the case of Puerto Rico, while the return on that human capital decreased somewhat. There may even have been a case where that performance dropped.

So, in Puerto Rico educational achievements did continue to happen. Today, a fact that we rarely celebrate is that Puerto Rico is, in terms of educational level — that is, if I measure in Puerto Rico, I ask how it's done in the Community Survey, what was the highest academic level reached and I take the average of that and compare that average schooling with other countries — Puerto Rico falls among the top 14 jurisdictions worldwide. This, according to UNESCO data. And that's an achievement. The top one in Latin America, just after Israel, Poland, and Lithuania. But when you look at per capita income, we aren't in those top 14 countries worldwide. So, you would expect that through that human capital that (mobility) would occur as it would be in a period. But lately there has been a bit of a disconnect. Although it still happens and there are many cases that we've seen in which people who come from lower class, through education, can improve materially.

**Luis A. Ferré Rangel** [00:05:12]

You were talking about Puerto Rico having high education rates, but how does that contrast with academic performance? We've been seeing that, for example, in the META tests we have a 45% performance in Spanish, 30% in mathematics, 38% in English and 47% in science. How does it compare, when we talk about schooling, how do you contrast these statistics with that schooling index to which you refer?

**Dr. José Caraballo Cueto** [00:05:39]

That brings to mind the Human Development Report that we developed in 2016, which talked about Puerto Rico being an island of contrasts. And it's like that. When you look at an average, you also must look at the deviation around that average, the dispersion there is, better known as inequality. And in Puerto Rico, today we have illiterate people in the same island where there are people who have two and three doctorates and are top scientists in their fields. So, we have that inequality present. And something that one would hope could... and this connects to your previous question, something that one would hope could reduce that inequality is a public education system, above all, that provides access to the lower class, provides access to quality education so that these gaps could be closed. But what we've seen is the opposite. Especially at the school level, where we have a Department of Education that has been degenerating from generation to generation. Academic successes are increasingly lower and so is academic achievement. There are many students graduating who are functionally illiterate. Many students who don't finish either. I recently did research on this, too, on the factors that determine school dropouts. And I believe that, I'm sure that if we managed to improve access to public education at the school level, we could solve many problems that are currently overwhelming us: crime, the high inequality we have, pollution. Many people pollute because they're unaware, they don't know that... the improper use of plastic can eventually end up in the sea; They don't know the importance of recycling. If we were to solve this problem, we could be not only a more competitive island, but a healthier island in terms of social cohesion and more prosperous at the same time.

**Luis A. Ferré Rangel** [00:07:58]

We'll continue discussing the public education system and its gap with the labor market. But before going there, I wanted to ask you a couple more questions regarding social mobility, because I believe that this is one of the pathways, one of the ways to continue moving out of poverty and achieving sustainable development. I wanted to ask you, is social mobility measured in Puerto Rico today?

**Dr. José Caraballo Cueto** [00:08:25]

No. Social mobility is not measured. And even the discussion of the Sustainable Development Goals is absent in almost all public discussion. I was happy to read in the newspaper a few days ago that the Community Foundation is working together with GFR Media... they're developing and

bringing the issue of the Sustainable Development Goals to the table. But one looks at the plans of the Fiscal Control Board, the government, its agencies, and even a large part of the Nonprofit Sector, they don't know the Sustainable Development Goals. And even less the issue of social mobility.... It's an issue that is absent, and I believe we must bring it back to the table.

**Luis A. Ferré Rangel** [00:09:21]

Along those lines, there have been two important factors in recent years that could have influenced the deterioration of social mobility, as you were saying at the beginning of the podcast. One has been the sequence of defects that we have had. I don't want to say natural disasters because natural disasters don't exist. They are social disasters. But we're talking about the hurricane, the pandemic, and the earthquakes. And on the other hand, we have the situation of economic austerity with the fiscal policies that the Fiscal Control or Supervision Board is promoting. Do you believe that social mobility has deteriorated in the last five years?

**Dr. José Caraballo Cueto** [00:10:02]

Well, it's interesting because Hurricane María had unequal impacts. There were some sectors that profited. If someone is in some way linked to the construction sector, whether I'm a bricklayer, whether I'm a contractor, whether I'm a developer or an architect, or whether I'm a bank where they deposit those reconstruction funds, well, I'm better off after the Hurricane Maria than before. But if I'm a farmer, if I'm in some service areas, then I'm worse off. And when I say I, I'm also talking about my family and the people around me. That is, communities in which many people work in the agricultural sector were worse after Hurricane María. And since this unequal impact was not addressed during the beginning of the recovery, what it did was to aggravate it. Likewise, if I live in a poor, marginalized community, where hardly any people have property titles, then after Hurricane María they are much worse off than before Hurricane María, because they lost the only asset they had, which was their house. As small and fragile as it was, it was the only asset they had. While there are other people who are better off after Hurricane Maria, especially if they benefited in some way from the reconstruction. So, the social mobility of these sectors linked to construction is better. Those people who are in the construction sector are better off than, say, the previous generation from 10 years ago, when construction in Puerto Rico was almost stagnant, and... the people who had built their little house block by block, panel by panel, are worse off today. That's because of the case of Hurricane Maria. In the case of earthquakes, depending. If it's in the southern area, they are also worse off. There are still schools that have not reopened. And an investigation that I did with my students in Guánica, we saw where there was a factor that has been given little attention, which is that in these communities, the average age of these communities increased dramatically after the earthquakes because young families left. And I would have done the same, because if my children don't have a school to go to, I will move to another town, I will move to the United States. And the older people were left behind. They are then left more vulnerable to the arrival of the next disaster. And yes, even the families that moved... it's not that they are doing well, they're practically starting from scratch because the little house, the only asset they had, was left behind and maybe they have to start over in another community, and their children have to go back to integration. So that's where we see how the education of this new generation was interrupted, while that of others who were far from that earthquake, which while it impacted us emotionally, it didn't impact us in terms of our home and our access to the labor market, and school, to the educational system. In the case of the pandemic, on the other hand, research that I did more recently here with the G-8 communities, I saw there was an interesting case: the pandemic, although it benefited workers who have low-wage occupations, because — and we still see it, you can go to the gas station, to a fast food

restaurant and they're still short-staffed — that led these sectors to have to increase salaries to make employment there more attractive. So, people from marginalized communities benefited from that, but their children who went to school were affected. And they were so affected that the Department of Education decided not to give the META tests during the 2020 school year and, I'm sure that in the latest data, when they come out, we will notice a drop that has already been coming since 2017. A drop. It was a downward trend in academic achievement on the META tests. And, someone can tell me 'but the META tests are answered by students however they want; There are some who answer it well, others who don't.' And I say, but the thing is that I'm not looking at the absolute level, but at the change. How has the change been from year to year? And year after year, in every year there are those factors. It was dropping and it's likely that it will drop more now, because academic achievement was very low during the pandemic, little access to the internet, and laptops took a long time to arrive. It was a very rushed process, especially in the public education system. While in private schools the situation was, the transition was smoother. So, we're also going to see how the social mobility of middle class and lower middle class and upper-class families was not interrupted as much as in the lower classes.

**Luis A. Ferré Rangel** [00:15:38]

And I ask you, under an environment of fiscal austerity, is it possible to design social mobility strategies?

**Dr. José Caraballo Cueto** [00:15:47]

That should be in the frame of reference where public policy is made. In the case, for example, of the public schools of Puerto Rico, to give an example, if we're really interested in social mobility, we want the students who live in poverty today — almost half of the children in Puerto Rico today are poor, they are below poverty levels — if we want to get them out of there so that when they have children, they're better off — that's social mobility — then we have to help them now in their educational process. If that had been taken seriously, let's say, there's a drop in student enrollment, then we're going to take advantage of it to individualize teaching more and in this way improve academic achievement, because in public schools, unlike private schools, they have diversity, a wide range of students... I've found in private schools, that they have an admission exam... So private school teachers can have larger groups than public school teachers, where they have outstanding students, students who are with specific learning problems and other conditions. If that had been taken advantage of, say, well, we're going to have fewer students now, we're then going to individualize teaching and the cut in austerity — the fiscal cut is what we call austerity — well we're going to apply it to contracting professional services, or the centralized purchases that are made, which is the political spending that is done by hiring x or y person who is an ally of the party in power. If the cut had gone that way, we would have preserved social mobility. But no. That political spending remained. And what we've seen then is that what was affected was what goes directly to the students. A third of public schools were closed in just three years. It's the most intense school closure that I've seen in literature worldwide, not just in the United States, and that affected many students. This is what the research I did shows. So, in each area, and to give an example of the Department of Education, in other areas the same would have been done. We're going to apply austerity to political spending, to unnecessary spending, to the parties that are held in some of these agencies. We're going to cut back on the unnecessary purchases we're making, since social mobility wouldn't have been impacted. But the cut then went to social spending.

**Luis A. Ferré Rangel** [00:18:54]

One of the goals we're discussing in this podcast is decent and fair work. And these adjectives

decent and fair salary are important because I work to have a job, since someone can be underemployed, as someone can have a very precarious informal job. How can you — and I know that you have done a lot of research on the impact of the minimum wage in Puerto Rico — how can you guarantee that this goal is met in Puerto Rico by promoting better paying jobs with better job conditions?

**Dr. José Caraballo Cueto** [00:19:27]

We must find that fine balance there between improving worker benefits without leading to the closure of some small and medium-sized companies. And it's necessary to perform analysis and research to find that fine balance. And the research that I've done has led me to conclude that \$8.50 is a minimum wage in Puerto Rico that seeks that balance. And, in fact, before the law was passed that increased the minimum wage to \$8.50, there were already many fast-food restaurants, grocery stores, offering the \$8.50 to many of their employees. I believe that along the same lines, we would have to look at other areas, seek that fine balance to ensure that we're maximizing worker benefits without affecting up to that threshold where it doesn't generate unemployment. And, in the positive notes that we could bring up in recent years, positive things were achieved to promote decent work. One was the work credit. In other words, if I'm working, then I have an additional credit and credit for dependents, who are generally children... Between the two, if a person is working, let's say at \$9, \$10 an hour, then between both credits they could push up their hourly wage, they could take it to \$15. And I believe that we must continue to strengthen this type of policy and ensure that it remains in place. That it doesn't happen like it did about six or seven years ago, when the cut was being sought, one of the first lines that was cut was that credit for work, which was precisely for the working family. Another area in which we also must improve, outside of wage earners, in the case of the self-employment sector, the self-employed, which is a sector that increased greatly during the hurricane, during the earthquake, during the pandemic. Many people took advantage of the additional stipends and transfers they received during the pandemic to establish their own businesses. And we also saw that with Hurricane Maria. So, that's a type of employment that we cannot leave behind. There are more than 100,000 people in Puerto Rico and we must ensure that these people can also have access to a medical plan or medical coverage that is provided to them in emergency cases. Also to prevent illnesses and so that they can also have the skills and knowledge to plan their retirement. Because many people who work, as you mentioned in the informal economy, who aren't all self-employed, there are many self-employed people who are in the formal sector. But for those who are in the informal sector, one of the dangers is that they don't make contributions to Social Security or any retirement plan. And sometimes, well, they reach retirement age, and they don't have some way to sustain themselves in that last stage of life. And I believe that if people who are in the self-employed sector are provided with a little more skill, a little more training, it's good for them and it's good for the island, because then when they reach old age they are not vulnerable adults. So, improving the access that this self-employed sector may have to credit, to programs that help them train in their businesses, as in the case of permits. All of this can lead to better self-employment than they had before these disasters.

**Luis A. Ferré Rangel** [00:23:45]

For small businesses in Puerto Rico, SMEs, what type of incentives exist today or can exist to attract and keep employees?

**Dr. José Caraballo Cueto** [00:23:56]

Well, one of the areas that small and medium-sized businesses continually, generation after generation, complain about is the permitting process in Puerto Rico and it seems increasingly complicated. It was thought that decentralizing this permit system and giving more prominence to

municipalities was going to make this better. But it hasn't done so because the municipalities, through the austerity process, some municipalities sometimes have only one person in charge of giving permits. These permits, contrary to earlier times, let's say, in the 20th century, if you had a business, you were given a use permit and that use permit was permanent. Even if you sold the business... the new owner could continue operating. Now, this permit must be renewed every year. And that has a cost. Not only the cost that must be paid to the government to renew it, but many of these small and medium-sized companies, since the process is so cumbersome, need to hire go-betweens and the least they charge them is \$500 for this. And one says, 'well, \$500 isn't that much,' but if my salary in that microenterprise is \$1,500, \$2,000 per month, we're talking about a third, a quarter of the monthly income. And I think that's an area that we definitely have to improve now. Although it's true that there are some sectors that are critical in terms of permits, like in the case of alcoholic beverage businesses, in businesses that are dedicated to entertainment and extreme sports, yes, you must be very mindful. But there's another type of business, let's say, if what I want is to be a gardener, why do I have to renew a permit every year? If what I want is to do nails from home, why do I have to renew a permit every year? If what I have is a, I don't know, a barbershop, a business providing accounting services. I think that's something that needs to be improved. Number two, we must give them more training. And the Trade and Export Company offers many workshops right now. The problem is that they're offered in San Juan, centralized. And if I'm in Corozal, in Humacao, in Cabo Rojo, closing my business and stopping production one day to go there is very, very difficult. Something that I did when I taught at the University of Puerto Rico in Cayey is, that I told them, when I taught management classes, I told my students 'take a company that is here in Cayey, that you see that has potential, but that needs that advice to reach a higher level.' And the students did spectacular work. And I told them 'now hand in that business plan — which was for the class, give it to that entrepreneur and you don't know if that's the beginning of a long-term business relationship and, if it isn't, it's a public service that we do at the university. And the success stories were very good, and the people were very grateful. I believe that this model of leaving the government office, going out into the street, and saying, 'I want to help you here in your business, in a personalized way,' is something that can help many companies to train, to improve their business model. And finally, there's access to financing. That's the most critical area because the Economic Development Bank, which was one of the few entities that lent to small and medium-sized businesses, has been mired in corruption processes — even the one who was director already pleaded guilty — and has been relegated to a third or fourth category level in terms of importance. And we have to bring it back to the top level of importance, because our companies need access to credit, and we aren't necessarily talking about million-dollar loans. Many times, it's microloans that they need, a little push to help them... buy a bigger stove, in the case of a cafeteria. In the case of a mechanic, it may be to buy a larger lift, which is used to raise the vehicles. And without access to credit, it will be very difficult for them to provide for their families and maintain the business.

**Luis A. Ferré Rangel** [00:28:29]

José, to wrap it up, you've studied the labor market a lot, as well as the public and private education system in Puerto Rico. From your research, what gives you the most hope and what do you see as possibilities to move forward and get out of this crisis we are in?

**Dr. José Caraballo Cueto** [00:28:52]

The Nonprofit Sector gives me a lot of hope. The nonprofit sector is extremely active throughout Puerto Rico. Before María, you could already see them getting stronger. But after María there are many collaborations that have happened. There are even foundations from the United States that already have permanent projects here, which weren't simply a humanitarian outreach project after the natural event. And I believe that, if we continue betting on this sector, for example,

public education, it has brought a new platform which is the Montessori model to transform schools in Puerto Rico. I believe that the government shouldn't be afraid of these collaborations. On the contrary, it should say 'look, what we've done hasn't worked. Let's see how we can achieve other collaborations and how we can help our boys and girls to achieve that social mobility that we want so much. I think that gives me a lot of hope that our education is going to improve and the only thing we need is to continue demanding from the government, especially the Department of Education, to be accountable, to change its models, and to depoliticize the educational and teaching system at least. And when it comes to depoliticizing, it means that when someone is recruited it's done... (based on) merit, not... (based on) political or partisan criteria. The same goes when someone is promoted. I believe that if we give more voice and more power to this Nonprofit Sector, we'll be able to achieve more social mobility in Puerto Rico.

**Luis A. Ferré Rangel** [00:30:51]

Doctor José Caraballo Cueto, thank you very much for being here in this fifth edition of the Sustainable Development Goals series, Moving toward a sustainable and inclusive Puerto Rico, sponsored by the Puerto Rico Community Foundation of. Thanks for being with us.

**Dr. José Caraballo Cueto** [00:31:07] Thanks for the invitation.

**Locutor Víctor Ramos** [00:31:12]

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